
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: Assessing Officials and Vendors

FROM: Barry Wood, Assessment Division Director

RE: Draft 2012 Residential Cost Information

DATE: May 6, 2011

The Department of Local Government Finance ("Department") has committed to releasing updated cost tables for the 2012 General Reassessment by July 1, 2011. The Department has developed these tables for residential properties and has done internal testing on the new tables. Because the tables were completed early, the Department is providing local assessors the opportunity to test the new tables and give comments. The Department is releasing a **DRAFT** copy of the 2012 General Reassessment Residential Cost Tables ("Draft"). These values are being released to allow local assessors to review, analyze, and give feedback about the new tables. Therefore, the Draft being released is subject to change based on this feedback. The Department requests that any feedback be submitted by June 3, 2011 to Barry Wood at Bwood@dlgf.in.gov.

The Department is leaving the depreciation tables unchanged at this time. Any depreciation tables developed this year would rely on assessment data that incorporated the old cost tables, and would therefore be incompatible with the new cost tables. As datasets incorporating the new cost tables become available, the Department will revisit the depreciation tables to determine whether updates are needed. The Draft does include an updated location cost multiplier. **The assessed values for the March 1, 2012 reassessment date must be determined using a FINAL copy of the cost tables that will be distributed on or before July 1.** The Department is still on track to distribute the 2012 General Reassessment Commercial and Industrial Cost Table information by July 1, 2011.

The 2002 General Reassessment Guidelines were based on January 1, 1999 cost information. Overall, specific cost changes have varied by type of improvement and size. However, the typical residential structure cost has generally not increased more than 25% for 2011. **The increase in costs for the 2012 General Reassessment Guidelines does not necessarily mean that an assessed value will increase by a particular amount. Our testing has indicated that the new cost tables accurately reflect local construction costs for 2011 and are the starting point for the reassessment process. The market value-in-use of a property should reflect current real world data (i.e. sales), as well as any updates a county may have made using a locally-developed depreciation schedule under 50 IAC 27-5-9 (b)(1). In other words, changes in the assessed value could be a result of several factors, including changes in the**

cost, or other market value-in-use information. However, the final assessed value should reflect the market value-in-use for that property.

The underlying cost information was derived from the Craftsman Book Company 2011 National Construction Estimator using “Average Quality; 'C' Grade; ‘Standard or Normal Construction.’” These values have been translated into tables that are compatible with the 2002 General Reassessment Manual format to minimize the implementation burden for local assessors. At the January 2011 Assessor Conference, J. Wayne Moore, the Department’s “Cost Table Translator” vendor, and Terry Knee, Supervisor of the Department’s Assessment Division, presented a class on the development of the cost table information (see [http://www.in.gov/dlgf/files/110100 -
_Assessor Conference - Knee and Moore -
Cost Schedules for hte 2012 Reassessment.pdf](http://www.in.gov/dlgf/files/110100-_Assessor_Conference_-_Knee_and_Moore_-_Cost_Schedules_for_hte_2012_Reassessment.pdf)). Included in the class were various assumptions made in the development of the cost schedules, as well as the new cost model creation steps, including:

- All “models” attempt to simulate the real world.
- Approximately 90% of the floor sizes are in the range of 600-2000 square feet.
- From 2010 new house floor plans, we determined construction characteristics for each floor level:
 - Average perimeter linear feet at each benchmark house size
 - Average linear feet of interior walls at each benchmark house size
 - Number of single window equivalents at each benchmark house size
 - Number of exterior and interior doors at each benchmark house size
 - Average linear feet of attached garage common wall
 - Typical roof pitch for each house type
- Residential cost model assumptions were based upon an analysis of 269 modern floor plans.

If you have any questions, please contact Barry Wood at 317.232.3762 or Bwood@dlgf.in.gov.